

Water and Light Advisory Board
August 7, 2008

A meeting of the Water and Light Advisory Board was held August 7, 2008 at 7:00 a.m. in the Utility Services Conference Room, 105 E. Ash. Attending the meeting were:

John Conway, Chair
Tom Baumgardner, Vice Chair
Ernie Gaeth, Member
Tom O'Connor, Member
Bob Roper, Member – Absent
J. Kraig Kahler, Water and Light Director
Jim Windsor, Manager of Rates and Fiscal Planning
Tina Worley, Utility Services Supervisor
Mike Schmitz, Engineering Manager
Tad Johnsen, Power Production Superintendent
Floyd Turner, Manager of Water Operations
Dan Stokes, Electric Distribution Manager
Marilyn Thorpe, Administrative Support Supervisor
Stephanie Brown, Administrative Support Assistant II

Karl Skala, City Council Member
Dick Parker, Power Supply Task Force

INTRODUCTION OF KRAIG KAHLER, WATER AND LIGHT DIRECTOR

John Conway welcomed the new Director, Kraig Kahler. Mr. Kahler said he grew up in Kansas and graduated from Kansas State University with an Engineering Degree. He received his Master's in Business Administration and Finance from Colorado University. He was an engineer in Greenville, TX before overseeing the electric, water and wastewater systems in Weatherford, TX where he retired after twenty years of service. Accepting the position of Director of Water and Light places him closer to his parents in Kansas. He is married with two teenage daughters and a son. He said he looks forward to establishing his home in Columbia.

Mr. Conway also extended his gratitude to John Glascock for the great job he did as Interim Director after Dan Dasho resigned in December 2007.

APPROVAL FOR THE JUNE 5, 2008 MEETING MINUTES: The June 5, 2008 meeting minutes were approved by voice vote on a motion by Ernie Gaeth and second by Tom O'Connor.

FINANCIAL REPORT:

a) Financial Update – The Board received the monthly financial statements ending June 30, 2008.

Water and Electric Utility combined operations reflect an operating income of \$6,152,067 for the nine months ended June 30, 2008; compared to an operating income of \$5,791,457 for the same period last year. This is an increase of \$360,610.

The Water Utility has an operating income of \$22,941 for the nine months ended June 30, 2008; compared to an operating income of \$337,089 for the same period last year. This is a decrease of \$314,148 in operating income.

The Electric Utility has an operating income of \$6,129,126 for the nine months ended June 30, 2008; compared to an operating income of \$5,454,368 for the same period last year. This is an increase in operating income of \$674,758.

Operating revenues of Electric Utility are up \$6,155,458 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$4,312,279. Fuel and Purchased power costs have increased \$4,364,312.

b) Jim Windsor said the cash and marketable securities are down. He said \$2.2 million was allocated to the Scott Blvd. relocation and substation feeder work. He said water metered revenue is doing well and water miscellaneous revenue is under the estimated amount. He noted that the electric revenue will meet or exceed the projected numbers. Overall the utility is in good shape.

Expenses are up partly due to the leasing of the Administration and Engineering building and Water Treatment Plant expansion. Electric miscellaneous revenues are up because of SO₂ sales. The second sale of SO₂ carried over to this year.

Water Utility Bond – Mike Schmitz delivered the presentation that was given to the City Council on the Jacobs Long Range Water Study and the water utility bond issue. He said the last water study was done about five or six years ago by CH2MHill. The scope and objectives of the study were to evaluate historical data, estimate future water demands, and analyze the 5-year Capital Improvement Projects (CIP), Bond Issue, and future improvements.

Mr. Schmitz said sixty million gallons are available at each aquifer storage recovery system (ASR) with 4 million gallons of treated water per day. The utility will reach its capacity limit in 2018. The ASR is charged in the winter and retrieved during peak days. He said the major components of the 5-year CIP evaluation are an installation of a 24" east transmission main for the north section and the south section; installation of the Heller Road 16" distribution main; a Route PP main upgrade; and ground storage at the Hillsdale pump station. Improvements after the year 2018 include an additional pump station at the West Ash site; an elevated water tower in the Prathersville area; evaluation of the treatment process or additional treatment plant in new location; new southeast pump station; additional 24" transmission mains in several locations; and additional ground storage. Other recommendations included a study of the future supply; treatment and transmission in 2009; additional sludge storage at the Water Treatment Plant; and an update and review of the study every 5 years.

Mr. Schmitz said the actual growth matches the five year water studies. He doesn't think historical growth will continue and believes the study should be performed in a 5 year

regimen on the same cycle as the Integrated Resource Plan (IRP). (Staff had identified the same things as in the study except for the southeast pump station and the Prathersville Water Tower).

Mr. Conway mentioned to not lose sight of the fireflow issue which is covered in the bond issue. Mr. Schmitz said the priorities come from the City Manager and the City Council and that the main change will be the fire hydrants near schools which are mainly located in residential areas. They are required to have commercial fireflow capacity and currently do not meet the requirement. Mr. Conway requested information from the Fire Department on the ISO rating and their goals. Mr. Schmitz said the rating is not only affected by the water supply but also by the Fire Department staffing and the amount of equipment.

Mr. Windsor said the proposed 2008 Water Bond is estimated at \$38,939,500. Estimated costs for improvements in five year increments were given. He said the bond amount does not include the ten percent required reserve amount. To support the debt service for financing, staff estimates that two 1.5% rate increases followed by four 5% rate increases will be needed. The average annual increase for the average residential customer is approximately \$0.23 per month for each 1% increase.

Mr. Windsor said the bond proposal has already been introduced to the City Council and staff would like a recommendation from the Board to approve it. Mr. Gaeth made a motion to recommend that Council approve the bond issue with the rate increases as presented. Tom Baumgardner made a second motion and the motion was approved by voice vote.

FY09 Budget – Mr. Windsor said the proposed FY09 budget is for October 1, 2008 to September 30, 2009. There is a 5.5% proposed rate increase for water. Of that, 3.5% is for the 2003 bond issue and 2% to cover operating and maintenance costs. The budget shows a deficiency because of depreciation. He said on the water side there was not a significant change but electric is affected by the new purchase power contract. The proposed rate increase for electric is 5%. One percent is for the 2006 bond issue and four percent is for operation and maintenance cost – primarily purchased power. There are also the additions of three new positions in electric distribution – one to maintain the distributed generation and landfill gas plant, and two for the fiber optic systems. The budget also includes an additional supervisor's position in Water Distribution.

Mr. Windsor said the utility had exceeded the budget for temporary employees in the previous years. The cost has been worked into the budget for FY09 under the supplemental budget for Water and Light. Mr. Windsor said in the past this has been a Finance issue with budgeting for staffing. Mr. Conway expressed concern over the utility not having more control over hiring staff if needed and Mr. Baumgardner said the board would need to go to the City Manager with its concerns on this topic. Mr. Windsor suggested being more clear on defining needed positions and to include the board at the beginning of the process when determining what should be included in the budget. Mr. Gaeth would like to see a breakdown of the salary and benefits of the employees to compare to the FY09 budget.

In response to a request to provide the board with monthly updates on adhering to the fiscal budget, Mr. Windsor said the data would not be complete because the first eight months

would appear to be under budget projections because the peak for expenses and revenue occur in the summer months, the last four months of the fiscal year.

Electric Rates – The utility proposed a 5% increase across the board because most sectors need at least that to cover costs. One percent will be related to the existing bond issue.

Water Rates – A 3.5% increase was proposed to cover the 2003 bond issue and a 2% increase to cover operating and maintenance expenses. The fireflow amount will be increased to the consultant recommended amount. Mr. Windsor said staff uses historical information to project increases. The projections do not include cash flow.

The Board believed that there was not sufficient information to approve the budget and rate changes and requested more information before recommending it to the City Council to make a decision in September. Mr. Gaeth moved to table the consideration of the budget and rate increase until more information is provided by staff. Mr. O'Connor made a second motion. It was approved by voice vote.

Mr. Kahler reiterated the request to address the temporary employees and personnel services and its effect on the budget and to itemize them in the budget, incorporate more information in the budget regarding revenue and the bottom line, and provide numbers showing the impact of the rate adjustments.

Water Fee Changes – Mr. Windsor told the board the proposed changes to water fees for FY09 include:

1. taking the second step in a three-step process to get to the level recommended by the Virchow Krause & Company cost-of-service study for connection fees;
2. making the customer responsible for all preparation and restoration of the site for the tap fee for all services regardless of size. Currently, services larger than one inch follow this procedure. Waive the tap fee for fire sprinklers in structures built prior to fire sprinkler requirement;
3. eliminating the meter box and appurtenances fee for services one-inch and smaller. Require those customers to purchase and install the required materials. Services larger than one inch follow this procedure now;
4. establishing a fee for three-quarter inch meters.

After discussion the Board decided to table this issue until the next meeting.

POWER PLANT REPORT

Tad Johnsen said there was an outage at the power plant a week and a half ago. He said the megawatt usage for the month of July was at the lowest in four years at 117,000 MWh. The highest for this year has been 250 MW. The unwanted maximum is 278 MW.

Mr. Johnsen said the landfill gas plant was up and running in June. July had some significant outages when water filled the pipes three to four times last month due to flooding. This was not anticipated. Kraig Kahler reported that John Glascock informed him that an open valve allowed water to get into the pipes. He said this has been corrected.

Mr. Johnsen said wood generated electricity accounted for 0.5% and landfill gas accounted for 0.7% of the energy for the city in July.

Mr. Windsor said the utility only received 5% of the maximum output for wind in July. There have been several problems with the wind farm such as equipment problems with the replacement of blades. Mr. Kahler reminded the board that there are no performance guarantees in the contract.

ENGINEERING

Jacobs Long Range Water Study – The study was discussed with the water bond issue.

WATER DIVISION REPORT

Floyd Turner said the University of Missouri finished the first quarter testing of the water for Trihalomethanes. A report will be provided at the next meeting.

ELECTRIC DISTRIBUTION REPORT

Dan Stokes said for June there were 79 outages with each outage averaging approximately 83 minutes per customer. In July there were 46 outages with each outage averaging approximately 86 minutes per customer. The average number of people affected was 125 over the normal average of 91. The large number of outages was due to several severe storms during those months.

UTILITY SERVICES DIVISION REPORT

Energy Assessment/Engineering Services Agreement – Tina Worley said staff sent a request to the City Manager to enter into an Engineering Services Agreement with Burns and McDonnell's Performance Management and Energy Services Group to provide an analysis and energy model which will be used to create the commercial energy savings component of the IRP. Ms. Worley said Burns and McDonnell has eQuest, an energy star benchmarking software, that will be useful to Water and Light for this program.

Mr. Baumgardner made a motion to accept the request to allow staff to enter into an Engineering Services Agreement with Burns and McDonnell's Performance Management and Energy Services Group to perform energy assessments on commercial buildings. Mr. O'Connor made a second motion and it was approved by voice vote.

Rebate Program – Ms. Worley said in March 2007 Water and Light began a pilot program to give rebates to customers who upgrade to more energy efficient A/C units, heat pumps, solar water heaters, and PV systems. The rebate program is to accompany the Super Saver Loan. Water and Light would like to make the rebate program a permanent program with the added stipulations.

Mr. O'Connor moved to recommend to move the pilot project rebate program into a permanent status with amendments to incorporate ground source heat pumps as eligible equipment and to modify the limits on eligible PV systems so that systems larger than 10 kW can receive rebates but only after a successful financial assessment and approval by the Water and Light Director. Mr. Gaeth made a second motion and it was approved by voice vote.

NEW BUSINESS

No new business.

OLD BUSINESS

The tentative date for the Power Supply Task Force meeting is Wednesday, August 27, 2008 at 5:30 p.m. Once staff approves the date the meeting will be set.

Mr. Conway recommended that Board members attend the MPUA conference at the Lake of the Ozarks on October 1 – 3, 2008. He said it is beneficial in providing updates and other information.

Mr. Conway asked the board and staff to consider any operational changes to the way Board meetings are conducted since there is a new Director. Some suggestions were:

1. change the structure on the finance reporting;
2. energy policy consideration;
3. send information and handouts to the Board as soon as possible and as received.

Karl Skala said it would be helpful for the City Council to receive information as soon as possible as well.

Quaker Oats has installed a 5kW solar panel system and is in the process of installing a 125kW system to power their dryers. Once the rebates have been established, staff will provide a report to the City Council.

Mr. Conway asked staff to send Bob Roper the information from the meeting.

Mr. Baumgardner noted that the input and exchange from Mr. Skala was enjoyed and appreciated.

Next meeting date: September 4, 2008

The meeting adjourned at 9:40 a.m.

Respectfully Submitted,